

REPORT ON EXAMINATION

OF THE

**GENWORTH LIFE
INSURANCE COMPANY**

AS OF

DECEMBER 31, 2006

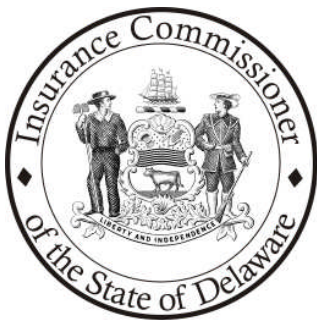
I, Matthew Denn, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of DECEMBER 31, 2006 of the

GENWORTH LIFE INSURANCE COMPANY

is a true and correct copy of the document filed with this Department.

ATTEST BY: Antoinette Handy

DATE: 16 JUNE 2008



In Witness Whereof, I HAVE HEREUNTO SET MY HAND AND AFFIXED THE OFFICIAL SEAL OF THIS DEPARTMENT AT THE CITY OF DOVER, THIS 16TH DAY OF JUNE 2008.

Matthew Denn
Insurance Commissioner

REPORT ON EXAMINATION
OF THE
GENWORTH LIFE INSURANCE COMPANY
AS OF
December 31, 2006

The above captioned Report was completed by examiners of the Delaware Insurance Department.

Consideration has duly been given to the comments, conclusions, and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted, and filed as an official record of this Department.

A handwritten signature in black ink, appearing to read "Matt Denn", is written over a horizontal line.

MATTHEW DENN
INSURANCE COMMISSIONER

DATED this 16TH Day of JUNE 2008.

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April 8, 2008

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Chairman, NAIC Financial Condition
Committee
State Corporation Commission
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Utah Department of Insurance
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Honorable Matthew Denn
Insurance Commissioner
Delaware Insurance Department
841 Silver Lake Boulevard
Dover, Delaware 19904

Commissioners:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 07.007, dated March 16, 2007, an Association examination has been made of the affairs, financial condition and management of the

GENWORTH LIFE INSURANCE COMPANY

hereinafter referred to as “Company”, incorporated under the laws of the State of Delaware as a stock company with its home office located at 2711 Centerville Road, Suite 400, Wilmington, Delaware. The examination was conducted at the main administrative office of the Company, located at 6604 West Broad Street, Richmond, Virginia.

The report of such examination is respectfully submitted herewith.

SCOPE OF EXAMINATION

The last examination was conducted as of December 31, 2003. This examination covered the period from January 1, 2004, through December 31, 2006, and consisted of a general survey of the Company's business policies and practices, management, any corporate matters incident thereto, a verification and evaluation of assets and a determination of liabilities. Transactions subsequent to the latter date were reviewed where deemed necessary.

This report is presented on an exception basis. It is designed to set forth the facts with regard to any material adverse findings disclosed during the examination. The format of this report is designed to explain the procedures employed on this examination and the text will explain changes whenever made. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were discussed with responsible personnel and/or officials during the course of this examination.

The general procedures of the examination followed the rules established by the Committee on Financial Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC) and generally accepted statutory insurance examination standards consistent with the Insurance Laws and Regulations of the State of Delaware. In accordance with the aforementioned handbook, an information systems review was performed by the consulting firm of INS Services, Inc.

The 2006 examination was conducted by the Delaware Insurance Department in accordance with the Association Plan of Examination guidelines established by the National Association of Insurance Commissioners.

HISTORY

The Company was originally named United Pacific Life Insurance Company (UPL) and incorporated as a stock life insurance company under the laws of the State of Washington on

September 28, 1956. The Company received its original certificate to transact the business of life, disability and health insurance from the Washington Insurance Commissioner effective as of September 28, 1956. Effective May 12, 1992, the Company was reincorporated and re-domesticated under the corporation laws and insurance laws and regulations of the State of Delaware. Pursuant to a Stock Purchase Agreement effective April 3, 1993, General Electric Capital Corporation (GECC), a subsidiary of General Electric Company (GE), acquired 100% of the capital stock of UPL and five of its seven wholly owned subsidiaries from Reliance Insurance Company and its parent, Reliance Group Holdings, Inc. The stock of the Company was assigned to GNA Corporation (GNA), an insurance holding company subsidiary of GECC. GECC purchased the 35,150 outstanding common stock shares of GNA from the Weyerhaeuser Company on April 15, 1993. On September 29, 1993, GNA transferred 100% of the shares of the Company to its insurance subsidiary, Great Northern Insured Annuity Corporation (GNIAC) with the intention of consolidating the operations of both insurance companies. Pursuant to its Amended and Restated Certificate of Incorporation effective April 1, 1994, the name of the Company was changed to General Electric Capital Assurance Company (GECA).

On October 1, 1995, the Company reversed its position with its former parent, GNIAC, and became the lead insurer in the holding company system. In 1995, GNA also contributed all outstanding shares of Federal Home Life Insurance Company to the Company. On October 2, 1995, GECC acquired AMEX Life Assurance Company (AMEX) and contributed it to the Company. On June 30, 1996, AMEX was merged into the Company.

On April 1, 1996, GECC contributed 80% of the capital stock of the newly acquired Life Insurance Company of Virginia (LOV) to its subsidiary, GNA, which immediately contributed the 80% ownership of LOV to the Company.

On January 1, 1999, GNIAC merged with and into the Company, pursuant to an Agreement and Plan of Merger between GNIAC and the Company dated May 18, 1998. The agreement was filed and approved by regulatory authorities in the States of Delaware and Washington.

On March 31, 1999, GE Financial Assurance Holdings, Inc. (GEFAHI) assigned its rights to receive 100% of the stock of Professional Insurance Company (PIC) to its direct subsidiary, GNA. Simultaneously, GNA contributed its ownership interest in PIC to the Company.

On December 31, 1999, GEFAHI contributed its ownership interest in Union Fidelity Life Insurance Company to the Company.

In May 2004, in connection with the initial public offering of the common stock of Genworth Financial, Inc. (“Genworth”), GE Financial Assurance Holdings, Inc. (“GEFAHI”) transferred substantially all of its assets to Genworth, including all of the outstanding capital stock of GNA Corporation (“GNA”), the Company’s direct parent. As a result, the Company became an indirect wholly owned subsidiary of Genworth. GEFAHI is an indirect subsidiary of General Electric Capital Corporation, which is in turn an indirect subsidiary of General Electric Company (“GE”).

In March, September and December 2005, GE completed secondary public offerings of 80.5 million, 116.2 million and 40.9 million shares of Genworth common stock, respectively. Concurrently with the March 2005 secondary offering, Genworth repurchased 19.4 million shares of common stock from GE. Genworth received none of the proceeds from these secondary offerings.

In March 2006, GE sold 71 million shares of Genworth common stock in a secondary offering and an additional 15 million shares of Genworth common stock to Genworth, thereby disposing of its remaining ownership interest in Genworth. As a result of these transactions,

Genworth and its subsidiaries, including the Company, are no longer affiliated with GE and its affiliates. Genworth is now the ultimate controlling entity of the Company.

Pursuant to its Amended and Restated Certificate of Incorporation effective January 1, 2006, the name of the Company was changed to Genworth Life Insurance Company.

The Company is licensed by the Delaware Department of Insurance to transact the business of life, including annuities, and health. The Certificate of Authority was last amended to include variable annuities on September 17, 1997.

On May 1, 2006, the Company acquired 100% of the issued and outstanding stock of Continental Insurance Service, Inc. ("CIS"), a Tennessee corporation, which owned 100% of the issued and outstanding stock of Continental Life Insurance Company of Brentwood, Tennessee ("CLIC"), which in turn owns 100% of the issued and outstanding stock of American Continental Insurance Company ("ACIC"), another Tennessee domiciled insurance company. On May 2, 2006, CIS merged into its subsidiary, CLIC, with CLIC as the survivor entity of the merger.

CAPITALIZATION

The Company was originally capitalized with \$400,000, consisting of 4,000 authorized, \$100 par value shares issued to United Pacific Insurance Company ("UPIC"). On March 30, 1960, December 12, 1961, and July 7, 1978, an additional 1,000, 5,000, and 5,000 shares, respectively, were authorized and issued to the UPIC resulting in total capitalization of 15,000 common shares valued at \$1,500,000. In July of 1987, the par value of the Company's common stock increased from \$100 to \$200 per share resulting in a capitalized share value of \$3,000,000. On February 1, 1993, the Company ownership authorized a total of 5,000,000, par value \$200, shares and transferred all 15,000 issued shares from the UPIC to Reliance Insurance Company.

As a result of the stock purchase of the Company on July 14, 1993, all shares were transferred to GNA Corporation.

Pursuant to the Certificate of Incorporation, as amended September 29, 1993, the Company authorized 5,000,000 Class A (voting) shares, 2,000,000 Class B (non-voting) shares and 1,000,000 (non-voting) Redeemable Preferred Shares. Each class of shares carries a stated par value of \$1. As of December 31, 1994, the Company had: 2,450,000 Class A shares, 550,000 Class B shares and, 300,000 preferred shares issued and outstanding resulting in total capitalization of \$3,300,000.

On September 28, 1995, the Certificate of Incorporation was amended and restated to increase the number of authorized shares of Class A common stock from 5,000,000 shares to 21,000,000 shares. On October 1, 1995, the Company reversed its position with GNIAC, GNA Corporation contributed all of the 25,000 issued and outstanding shares of GNIAC to the Company in exchange for the issuance of 17,606,291 shares of Class A Common Stock to GNA Corporation. With this contribution, the Company received ownership of its own 2,450,000 issued Class A shares previously owned by GNIAC. On September 24, 1996, the Company's Class "A" Common Stock authorized shares were reduced 5 to 1 from 21,000,000 to 4,200,000. The issued shares were reduced from 20,056,291 to 4,011,258. At December 31, 2006, there were 3,521,258 Common Class A shares, 550,000 Common Class B shares and 300,000 preferred shares issued to GNA Corporation. At December 31, 2006, 490,000 shares were held as treasury stock and valued at \$61,282,801.

The Company received \$70,128,837 in contributed surplus during the examination period consisting of the following:

<u>Year</u>	<u>Amount</u>
2004	\$48,101,881
2005	\$-0-
2006	\$22,026,956

Dividends to Stockholders

Dividends were declared and paid during the period under examination as follows: On April 15, 2004, the Company paid a dividend on its common stock consisting of (i) cash in the amount of \$83,327,968 and (ii) securities with a fair market value of \$743,332,791 and (iii) 66,924 shares of UFLIC common stock. On March 21, 2005, the Company paid a dividend on its common (\$202.5 million) and preferred (\$22.5 million) stock in the aggregate amount of \$225.0 million. On June 10, 2005, the Company paid a dividend of \$130 million on its common stock. On March 17, 2006, the Company paid a dividend of \$185 million on its common stock and a dividend of \$15 million on its preferred stock. On June 28, 2006, the Company paid a dividend of \$125 million on its common stock. The remaining dividend in 2006 of \$2,609,827 related to the net effect of an assumption agreement with its parent, GNA Corporation.

In summary, the Company paid dividends of \$1,509,270,586 during the examination period consisting of the following:

<u>Year</u>	<u>Amount</u>
2004	\$826,660,759
2005	\$355,000,000
2006	\$327,609,827

MANAGEMENT AND CONTROL

Pursuant to general corporation laws of the state of Delaware, as implemented by the Company's Certificate of Incorporation and Bylaws, all corporate powers are exercised by or under the direction of a Board of Directors which shall be determined by the shareholders.

As of the examination date, the Board of Directors was comprised of three members, all of whom were elected by unanimous written consent on May 8, 2006 in lieu of an annual meeting of

the shareholders. The members of the Board are elected for a term of one year and serve until their successors are elected and qualified.

At December 31, 2006, the members of the Board of Directors were as follows:

Thomas Melvin Stinson	President and Chief Executive Officer of the Long Term Care Division and Director
Leon Ellis Roday	Senior Vice President and Director
Pamela Sue Schutz	President and Chief Executive Officer and Chairperson of the Board of Directors

The Company's bylaws permit the Board of Directors to designate one or more committees. An Investment Committee was established by the Board of Directors in 2000. The Board of Directors is required to ratify on a quarterly basis the actions/minutes of the Investment Committee. A committee of officers and employees of the Company and its affiliates within the Genworth Financial Group were re-appointed on May 8, 2006 as the Investment Committee:

Michael D. Frazier	Chairman, President and Chief Executive Officer of Genworth Financial, Inc.
Samuel Marsico	Senior Vice President and Chief Risk Officer of Genworth Financial, Inc.
Thomas H. Mann	Executive Vice President of Genworth Financial, Inc.
Richard P. McKenney	Senior Vice President and Chief Financial Officer of Genworth Financial, Inc.
George R. Zippel	Senior Vice President
Victor C. Moses	Senior Vice President and Chief Actuary
Mark W. Griffin	Senior Vice President and Chief Investment Officer
Jessie Puchon	Senior Vice President and Managing Director of Asset Management of Genworth Financial, Inc.
Pamela S. Schutz	President and Chief Executive Officer and Chairperson of the Board of Directors
Leon E. Roday	Senior Vice President and Director

The bylaws of the Company, as amended and restated January 1, 2006, provide that the officers of the Company shall consist of: a Chairperson of the Board; President; one or more Senior Vice Presidents; one or more Vice Presidents; a Secretary; a Treasurer; and such other officers with titles as shall from time to time be set forth by resolution of the Board of Directors.

At December 31, 2006, the senior officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Pamela Sue Schutz	President and Chief Executive Officer, and Chairperson of the Board of Directors
Thomas Melvin Stinson	President and Chief Executive Officer of the Long Term Care Division and Director
Leon Ellis Roday	Senior Vice President and Director
James Daryl Atkins	Senior Vice President
Ward Edward Bobitz	Senior Vice President, General Counsel, and Secretary
Jeffrey Taft Condit	Senior Vice President, Chief Financial Officer of Long Term Care Division
Victor Carlyle Moses	Senior Vice President and Chief Actuary
Daniel Clarke Munson	Senior Vice President
Geoffrey Sampson Stiff	Senior Vice President
George Robert Zippel	Senior Vice President
Gary Thomas Prizzia	Treasurer
James Joseph Buddle	Vice President and Chief Compliance Officer
Matthew William Cooper	Vice President, General Counsel and Assistant Secretary of Long Term Care Division
Scott Robert Lindquist	Vice President and Controller
Robert Thomas Methven	Senior Vice President
Mark William Griffin	Senior Vice President and Chief Investment Officer
Scott John McKay	Senior Vice President and Chief Information Officer

Many of these officers serve as officers and/or directors for subsidiary and affiliated insurance companies.

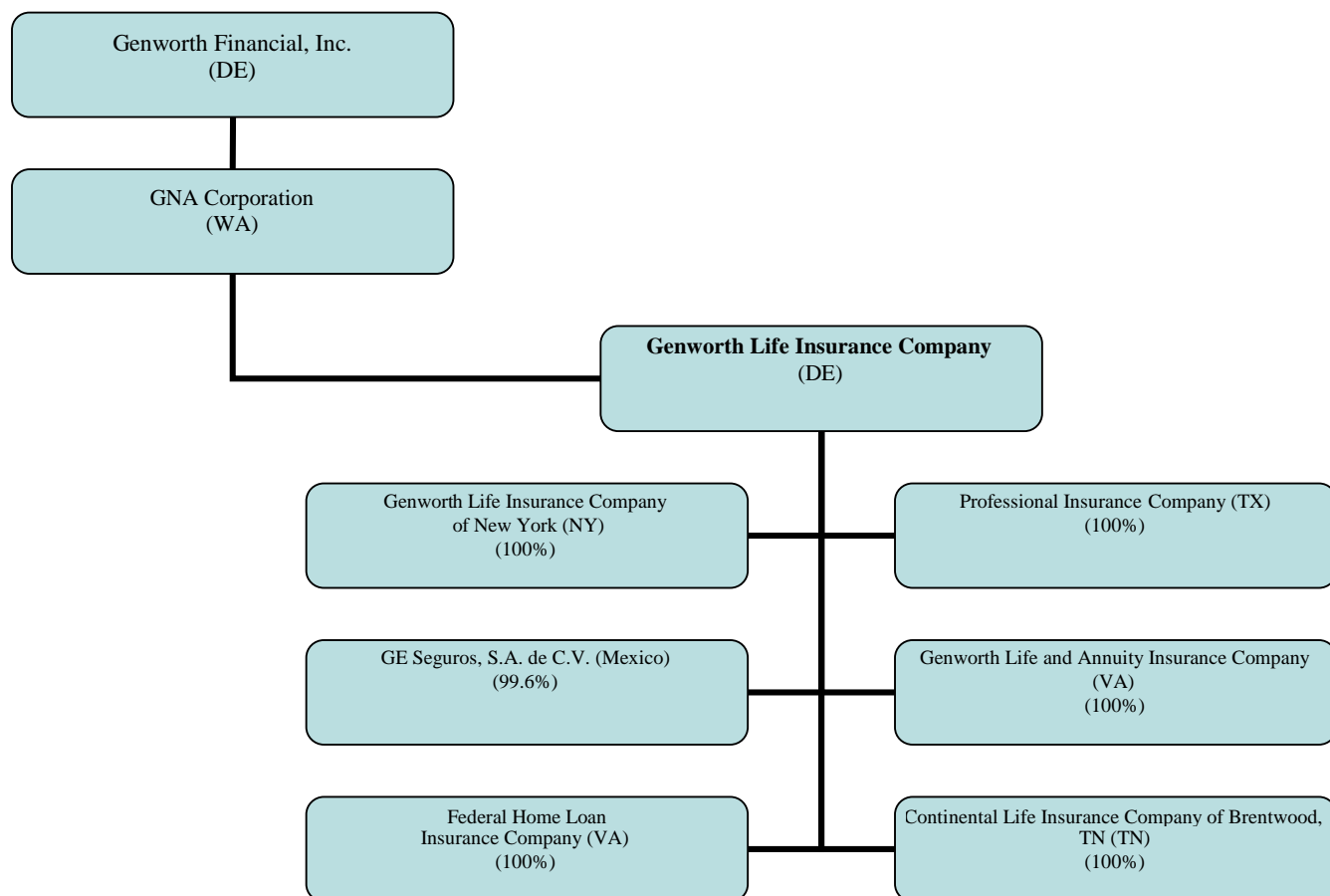
HOLDING COMPANY SYSTEM

The Company is one of many companies owned and under the umbrella of Genworth Financial, Inc. Genworth Financial, Inc., a leading financial security company, is dedicated to developing solutions that help meet the investment, protection, homeownership, retirement and independent lifestyle needs of more than 15 million customers, with a presence in more than 25 countries.

The Company and Parent are headquartered in Richmond, Virginia and combined, had approximately 7,200 employees as of December 31, 2006. On a consolidated basis, Genworth Financial, Inc. had \$13.3 billion of total stockholders' equity and \$110.9 billion of total assets as of December 31, 2006. For the year ended December 31, 2006, revenues were \$11.0 billion and net income was \$1.3 billion.

Genworth Financial, Inc., together with its subsidiaries, offers life insurance and long-term care insurance products. They also have developed linked benefit products such as long-term care insurance linked with life insurance or an annuity, and offer selected senior services and products including Medicare supplement insurance. They also offer group life and health insurance primarily to companies with fewer than 1,000 employees.

The following partial organizational chart reflects the identities and interrelationships between the Company, Parent and direct subsidiaries at December 31, 2006:



Please refer to Schedule Y, Part 1 of the 2006 annual statement for a detailed listing that reflects the identities and interrelationships between the Company, its parent and insurance affiliates and subsidiaries.

Copies of the “Form B Holding Registration Statements” filed with the Delaware Insurance Department, during the period under examination, were reviewed. It appears that the Company has complied with the general requirements of Regulation 1801 of the Delaware Insurance Regulations and Chapter 50 of the Delaware Insurance Code.

MANAGEMENT, SERVICE AND OTHER AGREEMENTS

Related Party Transactions

In review of related party agreements, the following company identifier legend is incorporated as a reference source:

ACIC = American Continental Insurance Company (TN)
AML = American Mayflower Life Insurance Company of New York (NY)
ASI = Assigned Settlement, Inc. (VA)
Brookfield = Brookfield Life Assurance Company Limited (Bermuda)
CLIC = Continental Life Assurance Company (TN)
FCL = First Colony Life Insurance Company (VA)
FHL = Federal Home Life Insurance Company (VA)
FFRL Re = FFRL Re Corp (VA)
Genworth = Genworth Financial, Inc. (DE)
GLAIC = Genworth Life and Annuity Insurance Company (VA)
GLICNY = Genworth Life Insurance Company of New York (NY)
GLHIC = Genworth Life and Health Insurance Company (CT)
GNA = GNA Corporation (WA)
JLIC = Jamestown Life Insurance Company (VA)
PIC = Professional Insurance Company (TX)
RLIC = River Lake Insurance Company (SC)
RLIC II = River Lake Insurance Company II (SC)
RLIC III = River Lake Insurance Company III (SC)
RLIC IV = River Lake Insurance Company IV Limited (Bermuda)
Rivermont = Rivermont Life Insurance Company I (SC)
Sequros = GE Seguros S.A. de C.V. (Mexico)
VAC = Verex Assurance Company (WI)
VIC = Viking Insurance Company, Ltd. (Bermuda)

As of December 31, 2006, the Company disclosed participation in the following agreements:

The Company, ACIC, AML, CLIC, FCL, FHL, GLICNY, GLHIC and PIC occasionally borrow money from their affiliate, GNA, at current market interest rates, pursuant to Master Promissory Notes. Any such borrowings are intended to cover short-term cash shortfalls, to assist registrants in managing the day-to-day cash flow fluctuations and to reduce registrants' need to maintain cash reserves in excess of normal cash flow requirements. The largest outstanding loan balance during 2006 was \$113,542,000; and the total interest paid during the year (rounded to nearest dollar) was \$457,131.

The Company, FCL, FHL, GLAIC, and GNA occasionally borrow or lend money, as the parties so determine, from one another. Any such borrowings are done at current market interest rates, pursuant to Master Promissory Notes. Any such borrowings are to cover short-term cash shortfalls, to assist in managing day-to-day cash flow fluctuations, and to reduce the need to maintain cash reserves in excess of normal cash flow requirements.

The Company continues to hold a Senior Unsecured Promissory Note originally issued by GE Financial Assurance Holdings, Inc. (“GEFA”) dated April 3, 2000, and assigned to and assumed by Genworth on May 24, 2004, whereby it loaned to GEFA and in return, following the assignment and assumption, Genworth promises to pay the Company the sum of Two Hundred Thirty-three Million One Hundred Thousand Dollars (\$233,100,000). During 2006, the Company received Eighteen Million Two Hundred Ninety-eight Thousand Three Hundred Fifty Dollars (\$18,298,350) in interest under the Note from Genworth. No principal was repaid during the period covered by this examination.

On December 18, 2006, the Company terminated its Master Promissory Note with GNA. At December 31, 2006, the Company reported a zero balance due or payable under the terms of this arrangement.

On January 19, 2006, the Company entered into a Stock Purchase Agreement (the “Agreement”) with Randall Ray Baskin to purchase all the shares of capital stock of Continental Insurance Services, Inc. (“CIS”). On April 21, 2006, Genworth assigned the right to purchase the shares pursuant to the Agreement to the Company, and the Company acquired all of the shares of capital stock of CIS on May 1, 2006.

During March 2006, General Electric Company (“GE”) disposed of its remaining ownership interest in Genworth. GE completed the disposition through a secondary offering of

71 million shares of Genworth common stock and Genworth's concurrent repurchase of 15 million shares from GE.

During May 2006, CIS merged with and into its subsidiary, CLIC and, as a result, became a direct, wholly-owned subsidiary of the Company.

During December 2006, the Company, GLAIC, FHL and FCL entered into a Dividend Rescission Agreement in conjunction with the payment of extraordinary dividends. The Virginia Bureau of Insurance approved these extraordinary dividends contingent upon these entities entering into the Dividend Rescission Agreement which provided that a portion of the dividend paid from FCL to FHL (and passed through to the Company) would be returned to FCL if either (a) FCL did not merge into GLAIC as of January 1, 2007, or (b) FCL did not enter into a reinsurance agreement with RLIC IV by December 31, 2006. Since FCL did enter into a reinsurance agreement with RLIC IV and did merge with and into GLAIC on January 1, 2007, the Dividend Rescission Agreement terminated as of January 1, 2007.

During December 2006, FFRL Re surrendered its Certificate of Authority and, therefore, is no longer licensed as an insurance company.

The Company continues to guarantee certain obligations of its subsidiary GLICNY in connection with the capital and surplus guarantee it issued to GLICNY at the request of the New Jersey Department of Banking and Insurance in connection with the merger of AML with and into GLICNY. The guarantee will be in force for the period beginning November 22, 2006, and lasting for a minimum of ten (10) years or, for a lesser period, should GLICNY surrender its license in New Jersey.

The Company continues to guarantee GLICNY's performance under an indemnity reinsurance agreement and an administrative services agreement between GLICNY and The

Travelers Insurance Company (“Travelers”) covering Travelers long term care insurance policies issued in New York.

The Company continues to guarantee certain obligations of an affiliate, ASI, effective May 25, 2004, whereby the Company will guarantee the structured settlement payment obligations of ASI provided that such obligations are funded with the Company’s annuity contracts.

The Company and AML continue to be parties to the Service Agreement, effective December 1, 1996, whereby the Company provides services to AML for legal, actuarial, accounting, claims and underwriting consulting, executive and miscellaneous consulting, human resources, personnel consulting and employee training and purchasing.

The Company, AML, GLICNY, FCL, GLAIC, (collectively, the “Genworth Pooled Companies”) and Genworth continue to be parties to a Collection Agent Service Agreement, effective November 15, 2006, whereby the Genworth Pooled Companies will consolidate eight wire accounts for payments received in connection with certain of their products into a single New York based account maintained by GLICNY.

The Company, AML, FCL, FHL, GLICNY, GLAIC (the “Genworth Ceding Companies”) and GNA, direct parent of the Company, and Union Fidelity Life Insurance Company (“UFLIC”) continue to be parties to a Joint Management Committee Agreement, dated July 1, 2005, whereby the parties agreed to establish an Annuity Joint Management Committee and a Long Term Care Joint Management Committee to facilitate the efficient administration of business reinsured under certain reinsurance agreements between the Genworth Ceding Companies and UFLIC.

The Company, ACIC, CLIC, FCL, FFRL Re, FHL, GLHIC, GLAIC, JLIC, PIC and affiliates, Brookfield, Sequros, RLIC, RLIC II, RLIC III, RLIC IV, Rivermont and the Company’s direct parent, GNA continue to be parties to an Amended and Restated Services and

Shared Expenses Agreement, effective January 1, 2004, which provides for certain management and general services and the sharing of joint expenses by and between such companies and such other affiliated insurance companies who execute an Adoption Agreement. In May 2002, GLHIC amended its adoption agreement to reflect that investment management services would not be provided to it under the Services and Shared Expenses Agreement.

The Company and GLICNY continue to be parties to the Administrative Services Agreement dated October 2, 1995, as amended through August 31, 2000, whereby the Company provides services to GLICNY for advertising, actuarial, legal, electronic data processing, preparation of accounting records, underwriting, claims and marketing.

The Company and Genworth Financial Agency, Inc. (“GFAI”) continue to be parties to the Management and Services Agreement, as amended January 1, 1991, for allocation of common costs for home office occupancy expenses, administrative and marketing services.

The Company and GFAI continue to be parties to the General Agency and Administrative Services Agreement, which provides that the Company reimburse GFAI’s administrative service, costs resulting from the sale of the Company’s products and that the Company may provide GFAI with short-term cash advances.

The Company and its affiliate, Genworth Financial Mortgage Funding Corporation (“GNWFMF”), continue to be parties to the Loan Origination and Interim Servicing Agreement dated August 15, 1994, pursuant to which the Company provides mortgage investment and servicing services to GNWFMF with respect to commercial mortgage loans originated by the Company. GNWFMF has, through a Trustee, created a mortgage-backed security participation, which GNWFMF subsequently sold to the Company and to the State of California Public Employee’s Retirement System (“CALPERS”). The Company subsequently repurchased the participation interest from CALPERS on June 27, 2000.

The Company continues to be a party to separate Investment Services Agreements, with GFAI, effective April 1, 1996, whereby the Company provides investment management and investment accounting services to GFAI.

The Company and its affiliate, Genworth Special Purpose One, LLC (f/k/a GEFA Special Purpose One, LLC) (“GNW One”), continue to be parties to the Policy Loan Servicing Agreement dated December 2, 1999.

The Company and its affiliate, Genworth Special Purpose Three, LLC (f/k/a GEFA Special Purpose Three, LLC), continue to be parties to a Policy Loan Servicing Agreement dated November 14, 2000. The Company and Genworth Special Purpose Four, LLC (f/k/a GEFA Special Purpose Four, LLC); continue to be parties to a Policy Loan Servicing Agreement effective June 11, 2001. The Company and Genworth Special Purpose Two, LLC (f/k/a GEFA Special Purpose Two, LLC (“GNW Two”), continue to be parties to a Servicing Agreement effective June 22, 2001, whereby the Company will provide servicing and administrative services for certain commercial loans acquired by GNW Two.

The Company continues to be a party to a sublease with an affiliate, Genworth Mortgage Insurance Corporation (“GMIC”), effective May 28, 2004, whereby the Company sublets to GMIC a portion of the premises commonly known as Hall Park Office, 2611 Internet Boulevard, Frisco, Texas 75034 for a period of forty-four (44) months commencing on April 1, 2004 and terminating on November 30, 2007.

The Company, ACIC, AML, CLIC, GLICNY, GLAIC, FHL, FCL, JLIC, PIC, RLIC, RLIC II, RLIC III, Rivermont, UFLIC, and GE continue to be parties to a Tax Allocation Agreement (“Tax Allocation”), as amended, whereby the parties agree to the method of allocation of consolidated federal income tax liability resulting from the consolidated federal income tax reporting of the registrants for tax periods ending before May 24, 2004. In connection with the

agreement, PIC entered into a Tax Indemnification Agreement, effective September 30, 2002, as amended May 24, 2004, with its indirect parent, GNA, whereby GNA has agreed to indemnify PIC in the event that the Internal Revenue Service levies upon PIC's assets for unpaid taxes in excess of the amount paid under the Tax Allocation Agreement.

The Company, AML, FCL, FHL, GLICNY, GLAIC, JLIC, PIC, RLIC, RLIC II and Genworth continue to be parties to a Tax Allocation Agreement effective May 24, 2004, pursuant to which the parties agreed to a method of allocation of consolidated federal income tax liability resulting from the consolidated federal income tax reporting of the parties. In connection with the agreement, PIC entered into an amendment effective May 24, 2004, to the Tax Indemnification Agreement, effective September 30, 2002, with its indirect parent, GNA, whereby GNA has agreed to indemnify PIC in the event that the Internal Revenue Service levies upon PIC's assets for unpaid taxes in excess of the amount paid under the Tax Allocation Agreement.

The Company, FCL, and RLIC continue to be parties to a Special Tax Agreement dated July 28, 2003, as amended May 24, 2004. The Special Tax Agreement provides that, among other things, to the extent RLIC generates net operating losses in a period where such losses are created solely by business ceded by FCL to RLIC, and the parties to the Tax Allocation Agreement benefit from such losses or credits, the amount of such benefits shall be paid to FCL.

The Company, FCL, and RLIC II, continue to be parties to a Special Tax Agreement dated December 3, 2004, as amended. The Special Tax Agreement provides that, among other things, to the extent RLIC II generates net operating losses in a period where such losses are created solely by business ceded by FCL to RLIC II, and the parties to the Tax Allocation Agreement benefit from such losses or credits, the amount of such benefits shall be paid to FCL.

The Company, FCL, and RLIC III continue to be parties to a Special Tax Agreement effective January 20, 2006, as amended. The Special Tax Agreement provides that, among other

things, to the extent RLIC III generates net operating losses in a period where such losses are created solely by business ceded by FCL to RLIC III, and the parties to the Tax Allocation Agreement benefit from such losses or credits, the amount of such benefits shall be paid to FCL.

GLHIC continues to be a party to a Tax Allocation Agreement with Genworth and certain of Genworth's subsidiaries, effective May 24, 2004, pursuant to which the parties agreed to a method of allocation of federal income tax liability resulting from the consolidated federal income tax reporting of such parties.

The Company, Genworth and PIC, continue to be parties to a Tax Matters Agreement, effective February 1, 2005, in connection with the Company's and PIC's election under Section 338 of the Internal Revenue Code with respect to their contribution to Genworth.

The Company, GLAIC, FCL, FHL, and its parent, Genworth continue to be parties to a Tax Matters Agreement, which provides for the allocation of certain additional tax benefits and burdens for periods following the initial public offering closing date which occurred on May 24, 2004.

The Company, FCL, FHL, FFRL Re, GLAIC, and JLIC (the "Virginia Companies"); AML and GLICNY (the "New York Companies"); PIC; an affiliate, RLIC; and parent company, Genworth (collectively, the "Companies") continue to be parties to a Tax Allocation Agreement with GE and GEFA effective May 24, 2004. This agreement will cover the period during which the Companies filed a consolidated life/non-life Federal tax return with its former ultimate parent, GE (i.e., January 1, 2004 — May 24, 2004).

The Company, Rivermont, and FCL continue to be parties to a Special Tax Agreement effective October 24, 2006. The Special Tax Agreement provides that, among other things, to the extent Rivermont generates net operating losses in a period where such losses are created solely

by business ceded by FCL to Rivermont, and the parties to the Tax Allocation Agreement benefit from such losses or credits, the amount of such benefits shall be paid to FCL.

Unaffiliated Transactions

The Company has a Corporate Custodial Account Agreement dated January 23, 2001. The Company has a Security Lending Agency Agreement dated January 23, 2001. The Company has a Global Custody Agreement dated December 8, 2003. The Company has a Security Lending Agreement and Guaranty dated December 8, 2003. The Company has an Investment Management Agreement dated December 28, 2006.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2006, the Company was licensed in the District of Columbia, and all states with the exception of New York.

The Company conducts its operations in two operating segments: (1) The Retirement Income and Investments segment, through which the Company offers Deferred Annuities (variable and fixed) and Variable Life insurance products. The Company offers its annuity products through financial institutions and brokers as well as independent advisors associated with its captive broker. The Company also offers guaranteed investment contracts and funding agreements as investment products to institutional customers. (2) The Protection segment through which the Company offers Universal and Term life insurance and Individual and Group Long Term Care insurance and Medicare supplement protection. Products are mainly distributed through a network that includes career agents, independent agents, general agents and brokers.

The Company does not maintain branch offices, or use managing general agents. The Company does utilize third party administrators to process and service a portion of its business.

The Company's investments are managed in Richmond, VA with Genworth traders located in Stamford, Connecticut, and investment accounting by a third party administrator

located in Kansas City, MO. Policyholder operations for the majority of life and annuity business are administered in Lynchburg, Virginia. The Company's long-term care and corporate owned life business is administered at the offices of its Long Term Care Division in Richmond, VA and San Rafael, CA.

GROWTH OF COMPANY

The following information was obtained from the Company's filed Annual Statements:

<u>Year</u>	<u>Admitted Assets</u>	<u>Capital Surplus</u>	<u>Direct Premiums, Annuity Considerations & Deposits</u>	<u>Net Income</u>
2006	\$ 34,770,582,027	\$ 2,996,930,173	\$ 3,861,749,925	\$ 633,977,947
2005	34,936,106,571	3,098,350,582	6,761,575,592	636,651,429
2004	31,489,852,321	3,183,915,298	5,583,091,554	1,052,772,409
2003	33,666,016,733	2,773,781,211	5,232,284,159	263,033,816

Highlights of the Company's operating results from the years under examination include the following:

2004

Capital and Surplus increased by \$410.1 million primarily due to net income of \$1,052.8 million offset by dividends paid to preferred stockholders of \$826.7 million. Net income increased \$789.7 million primarily due to reinsurance agreements with UFLIC and dividends received from subsidiaries in the amount of \$859.8 million.

2005

Capital and Surplus decreased by \$85.6 million primarily due to \$361.0 million reduction in subsidiary equity offset in part by a \$201 million net increase related to dividend transactions and \$80.4 million of net income. Net income decreased \$416.1 million primarily due to a reduction in dividends received from subsidiaries. Premiums and considerations increased,

primarily driven by sales of single premium deferred annuity and spread institutional products as well as renewal premium growth in the long-term care block.

2006

Capital and Surplus decreased by \$101.4 million primarily due to dividends of \$327.6 million, unrealized capital losses of \$389.2 million and miscellaneous net decrease for income taxes, asset valuation reserve and non-admitted assets, offset by net income of \$634 million. Net income decreased \$2.7 million primarily due to a reduction in dividends received from subsidiaries and declines in premiums, offset by a favorable impact of reinsuring a block of universal life insurance business. Premiums and considerations decreased by 43% due to decline in sales volume on institutional spread products, structured settlements and universal life products partially offset by increases in single premium fixed immediate annuities, single premium fixed deferred annuities, and long-term care renewal premiums.

REINSURANCE

The following is a summary of the reinsurance contracts in place as of December 31, 2006:

Assumed

Life, Annuities, Deposit Funds and Other Liabilities

Affiliates:

The Company assumed reinsurance from affiliates under several different reinsurance agreements:

1. Term plans under a coinsurance agreement effective January 1, 2000 from American Mayflower Life Insurance Company of New York (AML). The agreement has been amended to reflect changes in plans and reinsurance rates.
2. Universal life plans (mortality risk) from AML under a Yearly Renewable Term (YRT) agreement effective October 1, 2000. The agreement has been amended to reflect changes in plans and reinsurance rates.

3. Life plans (mortality risk) under a coinsurance agreement with First Colony Life effective January 1, 2000. The agreement was terminated for new business.
4. Single Premium Immediate Annuities (SPIA's) from Genworth Life Insurance Company of New York (GLICNY). These are non-New York workers compensation award structured settlement annuities.
5. Single Premium Deferred Annuities (SPDA's) from GLICNY. These are non-New York retirement annuities.

Non-Affiliates:

The Company assumed SPIA's issued by Fidelity Investors Life Insurance Company (FILIC). The Company provides third party administration services and 100% coinsurance for these policies on behalf of FILIC. The intent of the agreement is principally distribution related as demonstrated by the 100% coinsurance of the products.

Accident and Health

Affiliates:

The Company assumes Long Term Care (LTC) risk from Federal Home Life Insurance Company under a 100% coinsurance agreement, effective October 1, 1998 and from Genworth Life and Annuity Insurance Company under a 100% coinsurance agreement effective July 1, 1998.

Non-Affiliates:

The Company has various reinsurance agreements with direct writers, under which it assumes LTC risks. Most of these treaties are closed to new business.

Ceded

Life, Annuities, Deposits Funds and Other Liabilities

The Company has several significant agreements for the cession of individual life risks. During the period 2004 through 2006, the Company's life insurance products issued increased due to a combination of direct writings, as well as, assumption agreements with affiliates AML

and FCL. The Company maintains reinsurance whereby it subsequently cedes its direct and assumed business, excess of its retention.

Affiliates:

1. Term life policy risks were ceded to FCL under a coinsurance agreement effective July 1, 2003 and October 1, 2004. These agreements have been amended to add new plans.
2. Universal life risks were ceded to FCL under a coinsurance agreement effective July 1, 2006.
3. SPDA's were ceded to Brookfield under a first dollar quota share Modified Coinsurance Agreement effective January 1, 2003 covering risks issued through December 31, 2005.

Non-Affiliates:

In addition the Company maintained reinsurance whereby it subsequently cedes its direct and assumed business, excess of its retention. Two indemnity coinsurance treaties were in effect at December 31, 2006 with UFLIC, formerly an affiliated company. Pursuant to the treaties, all of the LTC business assumed by the Company from MetLife Insurance Company of Connecticut, formerly The Travelers Insurance Company, and substantially all of the Company's Structured Settlement Annuities (SSA) was ceded to UFLIC. January 1, 2004 through December 15, 2006, the Company had catastrophe reinsurance in place with varying attachment points, with one or more reinsurers (see additional comment under "Treaties Terminated").

Accident and Health

Affiliates:

The Company cedes to Brookfield certain long term care policies under a first dollar quota share coinsurance funds withheld agreement, effective July 1, 2001, covering ceded and retroceded business issued in 2001 and 2002.

Non-Affiliates:

The Company maintains reinsurance with third party non-affiliated reinsurers whereby it subsequently cedes its direct and assumed business, excess of its retentions.

The Company cedes to various non-affiliated reinsurers under yearly renewable term or coinsurance agreements. Half or more are closed to new business. The larger portions of ceded reserves are ceded under agreements with Swiss Re Life & Health America, Inc. effective January 1, 1995, Munich American Reassurance Company effective January 1, 2002, and General Reinsurance Corporation, effective January 1, 2003.

Treaties Terminated:

1. The Company terminated a December 1, 2000 Modified Coinsurance agreement with FFRL Re Corporation on September 25, 2006, effective July 1, 2006.
2. The Company terminated a December 1, 2001 YRT agreement with FFRL Re Corporation on September 25, 2006, effective July 1, 2006.
3. The Company terminated and recaptured all the liabilities under a June 30, 2003, 100% coinsurance agreement with FCL on certain Universal Life products with 2003 and later issues effective July 1, 2006.
4. Effective December 15, 2005 the Company terminated its life catastrophe reinsurance arrangements with several reinsurers.

Summary

Life, Annuities, Accident and Health

During the period 2004 through 2006, the Company had in place several assuming and ceding coinsurance and YRT reinsurance agreements with affiliates. Several non-affiliate life reinsurance agreements remain in-force as a result of GE's acquisition of American Express in 1995 (IDS was the reinsurer and was subsequently spun off by American Express and renamed Riversource).

The Company had a reinsurance program for preferred and standard risk pools effective January 1, 2002 with several reinsurers:

- a) A first excess of retention reinsurance arrangement for preferred and standard risk pools;
- b) An 80/20 quota share YRT reinsurance impaired risk pool.

All pool members are non-affiliated professional reinsurers with varying shares ranging from as much as 25% to as low as 10%.

Annuities

During the period 2004 through 2006, the Company ceded varying quota share percentages of Single Premium Deferred Annuities to Brookfield under a Modified Coinsurance agreement in place since 2003.

The Company maintains reinsurance whereby it subsequently cedes its direct and assumed business, excess of its agreed upon quota share retention.

Accident and Health

The Company assumes Long Term Care business from various carriers on a quota share basis varying by reinsurance agreement. Seven agreements have been closed to new business. The largest agreement by reserves is a block originally acquired from the Traveler's Life Insurance Company, who novated the agreement to Met Life of Connecticut.

In 2001, the Company ceded 40% of its LTC insurance business (excluding business assumed business from the Travelers Insurance Company) to Brookfield, an affiliated company, on a funds withheld coinsurance basis. The agreement was amended in 2002 to add 2002 and later issues.

Retention-Life

During the exam period, the maximum retention on each individual life, for any combination of individual life and second to die policies, was set at the following limits:

<u>Age</u>	<u>Combined Retention</u>
0-75	\$1,000,000
76-85	\$ 100,000
86 & over	-0-

Last Survivor policies have the same combined retention on each life.

In addition to the above limits, the Company's retention for accidental death benefits (ADB), group life, group mortgage ADB, or payroll deduction and 401(k) automatic issue coverage was set at the following limits:

ADB	\$100,000
Group Life (no underwriting)	\$ 75,000
Group Life (underwriting)	\$150,000
Group Mortgage ADB	\$ 50,000
Payroll Deduction & 401(k)	
Automatic issue coverage	\$150,000

Retention - Annuities and Accident and Health

The retention is negotiated with the reinsurer on each reinsurance arrangement. It is a quota share percentage of the risk and will vary by agreement.

1. Maximum Coverage - Life: Automatic limits were \$20,000,000 max per life, with a jumbo limit of \$35,000,000 per life maximum, grading down by age.
2. Maximum Coverage - Annuities and Accident and Health: Varies by quota share reinsurance arrangement.
3. Procedure for coverage less than largest risk written - Life: Facultative limits: Policies exceeding the automatic limits are subject to the limits that one or more reinsurers will offer facultative coverage on that life.
4. Procedure for coverage less than largest risk written - Annuities and Accident and Health: Risks exceeding the reinsurance and retention limits combined have to be reinsured on an individual basis with one or more reinsurers.

Fidelity Bonds and Other Insurance

The Company was a named insured on all applicable insurance policies issued in the name of its ultimate parent, Genworth Financial, Inc. ("Genworth"). Genworth insurance coverage and limits of liability include:

1. Directors and Officers (D&O) Liability of \$225 Million
2. Combined Specialty Insurance Policy (CSIP) with Blended Policy limits of \$130 Million for a) Errors and Omissions (E&O), b) Fiduciary risk, and c) Crime
3. Property Damage (“PD”) \$500 Million and Bodily Injury (“BI”) \$250 Million
4. Terrorism \$40 Million
5. Workers Compensation \$100 Million
6. General Liability/Auto Liability \$1 Million occurrence and \$2 Million aggregate
7. Surety Bond \$25 Million

The Master Agreement for the Directors and Officers policy has a \$10 million deductible. The CSIP "blended policy" has a \$10 million deductible. The Property Damage and Bodily Injury policy has a \$250,000 deductible. The Terrorism policy has a \$1 million deductible. The Workers Compensation primary coverage has a \$25,000 deductible with excess liability shared by four insurers at \$25 Million each. The General and Auto Liability policy has a \$100,000 deductible. The Company utilizes the Marsh and McLennan Companies network for the administration of its insurance programs.

ACCOUNTS AND RECORDS

Accounting System

The Company, as one of many companies in the holding company system of Genworth Financial, Inc. (“Genworth”), uses the Oracle General Ledger Accounting System for financial reporting. The design of this system, through codes, allows for use simultaneously by multiple legal entities and various sites within a legal entity. Four different sets of books are in use by the Company within this system: Operating, GAAP, Statutory and Tax.

Genpact International (formerly owned by GE and known as GECIS) provides, as a third party contractor, back office processing services to Genworth. Services provided include operational, software, finance and accounting, analytics and helpdesk. Genpact International is a

global provider of business and technology services headquartered in Gurgaon, India. The Company has a contract with Genpact International through 2012.

Operations

The Company conducts its operations in multiple geographic locations, or sites, each operating somewhat autonomously. Richmond, VA and Lynchburg, VA are the two largest locations. Alpharetta, GA houses the main computer systems. Investments are managed in Richmond, VA with State Street hired as a third party administrator to handle investment accounting in Kansas City, MO. Genworth investment traders are located in Stamford, CT. Some operational business is handled in San Rafael, CA for Long Term Care claims. Accounting for Long Term Care business is performed in Richmond, VA. Tax administration is centralized in Richmond, VA. The Treasury Department in Richmond, VA is responsible for cash management, monitoring and funding of all operating accounts, lock box operations, short-term investments and state deposits. The primary bank is Bank of America. Chase Bank is used as the automated clearing house for checks. The Company's check processing system is Enterprise Wide Disbursements with Poorman-Douglas Corporation, a third party administrator used for writing and mailing checks.

Financial Reporting

The Company now closes by the calendar quarter. The close cycle normally lasts for twenty days. Each business unit is responsible for operational specific journal entries. The majority of the premium and benefit entries are automated. The regulatory accounting and reporting department pulls all of the data together and also makes manual journal entries for items such as premium accruals. Late journal entries are accepted after the books are closed and analysis is performed, but prior to the issuance of financial statements, if deemed significant.

The Company utilizes The Complete Package (“TCP”) software from Boone & Company for annual statement preparation.

Information Technology (“IT”)

INS Services, Inc. (“INS”) performed an evaluation of the Company’s information systems (Exhibit C) for the Delaware Department of Insurance in conjunction with the December 31, 2006 examination. The INS assessment of the overall control risk related to information systems controls at the Company was **low** for those policies and procedures that had been in place as of December 31, 2006 and up to the date of the INS report on February 9, 2007. The design of most control policies and procedures at the Company is sufficient to achieve control objectives consistent with the requirements of Exhibit C.

FINANCIAL STATEMENTS

The following statements show the assets, liabilities, surplus and other funds of the Company, as determined by this examination, as of December 31, 2006.

Assets
Liabilities, Surplus and Other Funds
Summary of Operations
Capital and Surplus Account

Assets
December 31, 2006

		Nonadmitted	Net Admitted	
	<u>Assets</u>	<u>Assets</u>	<u>Assets</u>	<u>Note</u>
Bonds	\$ 24,946,262,665		\$ 24,946,262,665	
Preferred stocks	1,034,766,304		1,034,766,304	
Common stocks	1,608,119,188	\$ 21,796,402	1,586,322,786	
Mortgage Loans	4,616,991,320		4,616,991,320	
Cash, equivalent and short-term investments	348,007,238		348,007,238	
Contract loans	1,001,023,652		1,001,023,652	
Other invested assets	281,873,986	8,801,666	273,072,320	
Receivables for securities	48,020,100		48,020,100	
Derivatives	6,350,475		6,350,475	
Investment income due and accrued	373,394,636		373,394,636	
Uncollected premiums and agents balances in course of collection	45,171,804	11,920,522	33,251,282	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	4,118,799	4,118,799		
Amounts recoverable from reinsurers	122,672,198	34	122,672,164	
Funds held by or deposited with reinsured companies	40,381,242		40,381,242	
Other amounts receivable under reinsurance contracts	154,723,561		154,723,561	
Current federal income tax recoverable	57,634,531		57,634,531	
Net deferred tax asset	502,368,660	468,206,666	34,161,994	
Guaranty funds receivable or on deposit	12,099,745		12,099,745	
EDP equipment and software	3,937,788	3,478,861	458,927	
Furniture and equipment	1,786,102	1,786,102		
Receivable from parent, subsidiaries and affiliates	2,730,953		2,730,953	
Prepaid expenses	6,036,993	6,036,993		
State tax recoverable	7,712,948		7,712,948	
Collateral for asset repo program	8,172,292		8,172,292	
Premium tax recoverable	1,705,978	225,387	1,480,591	
Miscellaneous receivable	<u>8,520,440</u>	<u>4,075,614</u>	<u>4,444,826</u>	
	<u>\$ 35,244,583,598</u>	<u>\$ 530,447,046</u>	<u>\$ 34,714,136,552</u>	
From separate accounts	<u>\$ 56,445,475</u>		<u>\$ 56,445,475</u>	
Totals	<u>\$ 35,301,029,073</u>	<u>\$ 530,447,046</u>	<u>\$ 34,770,582,027</u>	
The accompanying Notes are an integral part of the Financial Statements and Exhibits.				

Liabilities, Surplus and Other Funds
December 31, 2006

		Note
Aggregate reserve for life contracts	\$ 20,641,460,449	1
Aggregate reserve for accident and health contracts	5,069,625,326	2
Liability for deposit-type contracts	835,481,839	
Contract claims: life	18,349,143	
Contract claims: accident and health	38,708,954	
Premiums and annuity considerations for life and accident and health contracts received in advance	26,752,477	
Other amounts payable on reinsurance	241,642,393	
Interest maintenance reserve	240,519,451	
Commissions to agents due or accrued	9,177,452	
Commissions and expense allowances on reinsurance assumed	(35,667)	
General expenses due or accrued	93,115,627	
Transfers to separate accounts due or accrued	(13,536,163)	
Taxes, licenses and fees due or accrued	22,582,839	
Amounts withheld or retained by company as agent or trustee	13,245,976	
Remittances and items not allocated	85,878,536	
Borrowed money	1,232,071	
Asset valuation reserve	239,988,629	
Funds held under reinsurance treaties with unauthorized reinsurers	3,412,596,171	
Payable to parent, subsidiaries and affiliates	50,796,524	
Payable for securities	1,971,940	
Other liabilities	5,954,969	
Reverse asset repurchase liability	190,000,003	
Expense allowance shortfall liability	4,546,717	
Asset repurchase liability	499,722,012	
Liabilities	31,729,777,668	
From separate accounts statement	<u>43,874,186</u>	
Total liabilities	<u>\$ 31,773,651,854</u>	
Common capital stock	\$4,561,258	
Preferred capital stock	300,000	
Gross paid in and contributed	2,282,698,758	
Unassigned Funds	770,652,958	
Less treasury stock	<u>61,282,801</u>	
Total Capital and Surplus	<u>\$ 2,996,930,173</u>	
Total Liabilities, Surplus and Other Funds	<u>\$ 34,770,582,027</u>	
The accompanying Notes are an integral part of the Financial Statements and Exhibits.		

Summary of Operations
December 31, 2006

Income:			<u>Note</u>
Premiums earned	\$ 3,216,362,010		
Net investment income earned	2,357,842,383		
Amortization of interest maintenance reserve	23,608,126		
Separate accounts net gain from operations	5,106,184		
Commissions and expense allowances on reinsurance ceded	318,713,284		
Reserve adjustments on reinsurance ceded	(133,464,080)		
Miscellaneous income	<u>10,628,243</u>		
Total income		<u>\$ 5,798,796,150</u>	
Expenses:			
Death benefits	\$ 78,622,447		
Annuity benefits	615,776,231		
Disability benefits & benefits under accident & health contracts	320,110,811		
Surrender benefits & withdrawals for life contracts	3,858,176,453		
Interest and adjustments on contract or deposit-type contract funds	29,865,448		
Payments on supplementary contracts with life contingencies	24,285,351		
Increase in aggregate reserves for life & accident & health contracts	(720,067,032)		
Commissions on premiums, annuity considerations and deposit-type contract funds	321,761,482		
Commissions & expense allowances on reinsurance assumed	85,802,142		
General insurance expenses	318,056,593		
Insurance taxes, licenses and fees	49,460,020		
Increase in loading on deferred & uncollected premiums	(2,746,563)		
Net transfers to or (from) Separate Accounts net of reinsurance	(6,348,853)		
IMR credit taken on coinsurance with unauthorized reinsurer	(2,431,548)		
Interest expense on funds held	<u>207,208,894</u>		
Total expenses		<u>\$ 5,177,531,876</u>	
Net income before federal income taxes incurred		\$621,264,274	
Federal income taxes incurred		(5,675,583)	
Net realized capital gains		<u>7,038,090</u>	
Net income		<u>\$ 633,977,947</u>	
The accompanying Notes are an integral part of the Financial Statements and Exhibits.			

Capital and Surplus Account
December 31, 2005 to December 31, 2006

			<u>Note</u>
Surplus as regards policyholders, December 31, 2005		\$3,098,350,582	
Net Income		<u>633,977,947</u>	
<u>Additions:</u>			
Change in net unrealized foreign exchange capital gain	\$ 1,832,405		
Change in net deferred income tax	4,269,733		
Surplus withdrawn from Separate Accounts during period	2,489,397		
Paid in surplus	22,026,956		
Change in surplus as a result of reinsurance	1,484,906		
Prior year correction-Separate Account IMR correction	1,025,778		
Prior year correction-Group ALR reserve Adjustment	14,182,375		
Prior Period Adjustment-Tax	<u>41,730,435</u>		
Total additions		<u>\$89,041,985</u>	
<u>Deductions:</u>			
Change in net unrealized capital gains (losses)	\$ (389,170,913)		
Change in nonadmitted assets and related items	(60,776,085)		
Change in asset valuation reserve	(15,824,436)		
Other changes in surplus in Separate Accounts Statement	(2,489,397)		
Dividends to stockholders	(327,609,827)		
Prior Period Tax Contingency Adjustment	<u>(28,569,683)</u>		
Total deductions		<u>\$(824,440,341)</u>	
Net change in surplus as regards policyholders for the year		<u>\$(101,420,409)</u>	
Surplus as regards policyholders, December 31, 2006		<u>\$2,996,930,173</u>	
The accompanying Notes are an integral part of the Financial Statements and Exhibits.			

EXAMINATION ADJUSTMENTS

No financial examination adjustments were made as result of this examination.

NOTES TO THE FINANCIAL STATEMENTS

Note 1

Aggregate reserve for life contracts

\$ 20,641,460,455

This liability is reported on Page 3, Line 1 and in Exhibit 5 of the Company's annual statement (\$6 difference due to rounding). The reserve breakdown in Exhibit 5, by type of benefit, is as follows:

Life insurance	\$ 2,111,902,684
Annuities	18,328,979,161
Supplementary contracts	162,040,806
Accidental death benefits	4,681
Disability - Active lives	4,386,018
Disability - Disabled lives	49,524
Miscellaneous	<u>34,097,581</u>
Grand Totals (Net)	<u>\$ 20,641,460,455</u>

General

The Company uses six administrative systems to maintain records for data processing. The TMI system is used to administer corporate owned life insurance and single premium whole life business. The CLF system administers traditional life and universal life businesses. Deferred annuities are administered using the Vantage system. Payout annuities are administered on the UAS system. Guaranteed interest contracts are administered using PICA, which is a home-grown system developed by the Company. Long term care and long term disability businesses are administered by the SRS system.

Assumed single premium life insurance business is a closed block of business administered by the ceding company and was not tested by INS. The Company also holds

reserves for a small block of variable annuities that are administered by a third party, Delaware Valley Financial Services, Inc. Reserves for this block were immaterial and not tested by INS.

Substantive sample sizes were determined for each line of business by dividing the gross statutory reserve/liability by the selection interval assuming no reliance on internal controls and a low risk of material misstatement. Judgmental samples were selected from the no reliance samples for the deferred annuities, GICs, payout annuities and active life reserves.

Underlying data for contracts in the samples was verified by the examiners. INS verified the reserve methodology and reserve calculations for all contracts without exception.

Inclusion testing for premium paying contracts was performed by tracing premiums paid in December 2006 for a sample of contracts to the year-end valuation file. The Company provided documentation that each sampled contract was on the valuation file or terminated either by death, lapse or surrender.

Samples of benefit disbursements in 2006 were drawn from the Company's claim systems. INS verified that the underlying contracts were on the Company's valuation files as of year-end 2006. In addition, roll-forward analyses, which checked all components of the account value calculation for reasonableness, were reviewed for the single premium whole life and deferred annuity blocks of business. This roll-forward analysis covered the examination period. The results of these tests indicated that the valuation files were complete.

The valuation certificate work papers were relied upon for verification that reserves reconciled to the annual statement. As part of the annual reserve certification process, the Company valuation runs and supporting work papers for the reserves reported in Exhibits 5 and 7 were reviewed and found to be in order. In addition, trend analysis was also performed. INS' reconciliation work and trend analysis for that procedure has been relied upon for the current examination.

The primary risks associated with the Exhibit 5 business are asset default, adverse mortality, and the mismatching of asset and liability cash flows. The ability of reserves to cover such risks was addressed by asset adequacy/cash flow testing (CFT) analysis. Therefore, an important examination focus was the review of the 2006 actuarial opinion memorandum (AOM). Based on that review, INS has accepted the appointed actuary's conclusion that additional actuarial reserves are not required.

The reserve tests and conclusions drawn are discussed in this section of the report. Each of the Exhibit 5 items is discussed below in further detail.

Exhibit 5, Life insurance (net)\$ 2,111,902,684

Life insurance reserves can be broken down as follows:

Corporate Owned Life Insurance (COLI)	\$ 1,587,336,061
Single Premium Whole Life (SPWL)	258,884,166
Traditional Life (TL)	505,854,005
Universal Life (UL)	197,961,581
Assumed from RiverSource	671,500,410
Other	<u>770,068</u>
Total (Gross)	\$ 3,222,306,291
Reinsurance Ceded	<u>1,110,403,607</u>
Total (Net)	<u>\$ 2,111,902,684</u>

Two computer systems are used by the Company to administer and calculate reserves for the life insurance segments. The TMI system is used to administer the COLI and SPWL segments. The CLF system is used to administer the TL business and UL products.

The COLI business consists of single premium interest sensitive life policies issued to groups of employees with the employer paying premiums and also being the beneficiary. The premiums are funded in large part by maximizing the policy loans. Since the assets backing the COLI business are primarily policy loans (representing 90% of the account values), the investment risk is passed to the policyholder. Other risks of the COLI segment were addressed

by CFT analysis. Since COLI is a closed block of business and data was thoroughly tested in the previous examination, data validity testing was not performed in this examination. The Company holds reserves equal to the account value for the COLI business which appears to be conservative. Based on the low risk and the conservative reserves held, INS performed no further tests for the COLI segment. The COLI reserves appear reasonable.

The SPWL products are interest sensitive life products endowing at age 95. INS selected a sample of seven SPWL contracts for data validity and reserve testing. The examiners verified the underlying data for each of the seven SPWL contracts and no errors were found. INS verified the reserves for each of the seven SPWL contracts without exception. INS reviewed aggregate account value roll-forwards provided by the Company for each year of the examination. The roll-forwards indicated that the reserve held by the Company for the SPWL block was reasonable.

The Company's TL business consists of term insurance with varying premium guarantee periods. INS selected a sample of 13 term insurance contracts for data validity and reserve testing. Reserves held for TL business consist of interpolated terminal reserves plus unearned premiums and are valued on a fully continuous basis. Reserves for term life contracts issued in 2000 and prior were determined using the unitary method. Reserves for term life contracts issued on or after 2001 were valued according to Delaware Regulation 1212 (also known as Regulation XXX). INS reviewed the methodology and found it was reasonable. The examiners verified the underlying data for each of the 13 term contracts and no errors were found. INS verified the reserve for each of the 13 TL contracts sampled without exception. INS also verified the deficiency reserve for two term contracts. The results are discussed in the miscellaneous section of this report.

The Company holds CRVM reserves for UL using the UL model regulation. INS selected a sample of five UL contracts for data validity and reserve testing. The examiners verified the underlying data for each of the five UL contracts and no errors were found. INS verified reserves without exception for each of the five UL contracts. INS also verified the deficiency reserve for one UL contract. The result is discussed in the miscellaneous section of this report. INS concluded that UL reserves were in compliance with actuarial guidelines.

The business assumed from RiverSource Life Insurance Company (“RiverSource”) consists of a closed block of individual and group single premium life (SPL) policies. Since RiverSource administers the business and based on materiality, INS has accepted the reinsured reserves based on the certification of the examining actuary of RiverSource’s state of domicile.

Other reserves were held for group paid-up, group conversions and group life. Since these reserves were immaterial, no analysis was performed by INS and the reserves were accepted as stated.

Based on the above review, INS concluded that the Exhibit 5 life insurance reserves were fairly stated.

Exhibit 5, Annuities\$ 18,328,979,161

Annuity reserves can be broken down as follows:

Deferred Annuities (SPDA, FPDA)	\$ 9,470,586,399
Payout Annuities (SSA, SPIA, SC, TF)	6,109,375,188
GIC, FRFA	6,232,588,768
Assumed from RiverSource	27,929,114
Other	<u>3,881,199</u>
Total (Gross)	\$21,844,360,668
Reinsurance Ceded	<u>3,515,381,507</u>
Total (Net)	<u>\$18,328,979,161</u>

The Company's deferred annuity business is primarily SPDA and FPDA annuities. INS selected a sample of 43 deferred annuities for data validity and reserve testing. Deferred annuity reserves were based on Actuarial Guideline 33 (AG 33). INS reviewed the methodology and found it was reasonable. The examiners verified the underlying data for each of the 43 deferred annuity contracts and no errors were found. INS verified reserves without exception for each of the 43 deferred annuity contracts. INS concluded that deferred annuity reserves were in compliance with AG 33.

INS' selected a sample of 92 contracts (part of the total 141 annuity type samples) currently in payout status for data validity and reserve testing. Reserves for payout annuities are calculated as the present value of annuity benefits using appropriate valuation interest rates and mortality tables. The examiners verified the underlying data for each of the 92 payout annuity contracts and no errors were found. INS verified reserves for each of the 92 payout annuity contracts without exception.

Reserves for guaranteed interest contracts consist of various types of funding agreement (FA) and guaranteed investment contracts (GIC). The FA provides for monthly resetting of the interest credited rate based on a fixed spread over the one-month London Inter-Bank Offering Rate (LIBOR). The GIC's have fixed guaranteed credited rates over various guarantee periods. Since this is a closed block of business and it was thoroughly tested in the last examination, no data validity testing was performed. The reserves held for each contract in the sample equaled the account value. This appeared reasonable based on the relationship of guaranteed credited rates and current applicable valuation rates. INS verified the account value for nine contracts without exception.

The business assumed from RiverSource Life Insurance Company consists of a closed block of annuities. Since RiverSource administers the business and based on materiality, INS

has accepted the reinsured reserves based on the certification of the examining actuary of RiverSource's state of domicile.

Other reserves were held for group paid-up annuities. Since these reserves were immaterial, no analysis was performed by INS and reserves were accepted as stated.

Based on the above review, INS concluded that Exhibit 5 annuity reserves were fairly stated.

Exhibit 5, Supplementary contracts with life contingencies (net)\$ 162,040,806

This liability represents supplementary contracts in payout status which involve life contingencies. These policies are on the same administration system (UAS) used to calculate annuity reserves in Exhibit 5, Section B. INS selected a sample of four contracts (part of the total 141 annuity type samples) for data validity and reserve testing. The examiners verified the underlying data for each of the four contracts and no errors were found. INS verified the reserves for each of the four contracts without exception. Based on this review, INS concluded that Exhibit 5, supplementary contract reserves were fairly stated.

Exhibit 5, Accidental death benefits (net)..... .\$ 4,681
Exhibit 5, Disability - Active lives (net)..... \$ 4,386,018
Exhibit 5, Disability - Disabled lives.....\$ 49,524

The valuation certificate work papers were relied upon for verification that reserves reconciled to the annual statement. No exceptions were noted. A trend analysis performed for reserves from each segment over the examination period appears reasonable. Based on materiality, no additional testing was deemed necessary. INS concluded that these reserves were fairly stated.

Exhibit 5, Miscellaneous reserves\$ 34,097,581

Miscellaneous reserves can be broken down as follows:

Deficiency	\$ 125,538,486
Other	<u>2,676,684</u>
Total (Gross)	\$ 128,215,170
Reinsurance Ceded	<u>94,117,589</u>
Total (Net)	<u>\$ 34,097,581</u>

Deficiency reserves held for term insurance resulted from business issued on or after 2001. UL deficiency reserves were held for secondary guarantees present in UL contracts. INS verified the term and UL deficiency reserve for three contracts (two term and one UL) without exception. INS reviewed the appointed actuary's opinion regarding the use and development of "X" factors used in the calculations. INS concluded that the Company's deficiency reserves met the requirements of Delaware Regulation 1212 (also known as Regulation 830).

The other reserves are held for non-deduction of deferred fractional premiums, immediate payment of claims and group conversions. These reserves were immaterial and no further analysis was deemed necessary. INS concluded that the miscellaneous reserves were fairly stated.

Exhibit 5, Grand Total (Net).....\$ 20,614,460,455

Based on the above review and analysis, INS concluded that the aggregate reserve for life insurance contracts, as reported by the Company on Page 3, Line 1 and in Exhibit 5 of the December 31, 2006 general account annual statement, appears fairly stated. It has been accepted for the purpose of this report.

Note 2

Aggregate Reserve for Accident and Health Contracts

\$ 5,069,625,326

This liability is reported on Page 3, Line 2 and in Exhibit 6 of the Company's annual statement. The reserve breakdown is as follows:

Active Life Reserve

Unearned premium reserve	\$ 430,923,313
Additional contract reserve	<u>8,076,143,731</u>
Total (Gross)	\$ 8,507,067,044
Reinsurance ceded	<u>4,232,393,559</u>
Total (Net)	\$ 4,274,673,485

Claim Reserve

Present value of amounts not yet due	\$ 1,853,626,291
Reinsurance ceded	<u>\$ 1,058,674,450</u>
Total (Net)	\$ 794,951,841

Grand Totals (Net) **\$ 5,069,625,326**

General

The Company's accident and health (A&H) reserves arise from three sources: individual and group long term care (LTC) business sold on a direct basis (Direct), assumed LTC business and other medical business. The Company provides the administration and does the reserve calculations for all the assumed business. Therefore INS included the assumed business in our review.

The LTC business is administered on the SRS system. Sample contracts were selected from the SRS system and included contracts from each of these blocks. Sample sizes were determined for data validity and reserve verification. Completeness tests were performed for the A&H business. Underlying data for sampled LTC contracts was verified by the examiners and no errors were found.

The primary risks associated with the Exhibit 6 business are asset default, adverse morbidity, lapse and the mismatching of asset and liability cash flows. The ability of reserves to

cover such risks is addressed by asset adequacy/cash flow testing (CFT) analysis. Therefore, an important examination focus was the review of the 2006 AOM. Based on that review INS has accepted the Company's conclusion that additional actuarial reserves are not required.

The reserve tests and conclusions drawn are discussed in this section of the report. Each of the Exhibit 6 items is discussed below in further detail.

Exhibit 6, unearned premium reserve (gross)\$ 430,923,313

The reserve is for unearned premiums relating to accident and health policies. The reserve can be broken down as follows:

Direct	\$ 326,014,911
Assumed	104,702,224
Other	<u>206,178</u>
Total (Gross)	<u>\$ 430,923,313</u>

INS selected a sample of 101 contracts for data validity and reserve testing. The examiners verified the underlying data for each of the 101 contracts and no errors were found. INS verified the unearned premium reserves for each of the 101 contracts without exception. A trend analysis of gross unearned premium reserves over the examination period showed increasing reserves and appeared reasonable reflecting the Company's continued growth of the LTC business.

Based on the above analysis, INS concluded that the Exhibit 6 unearned premium reserves were fairly stated.

Exhibit 6, Additional contract reserve (gross)\$ 8,076,143,731

The additional contract reserve is for accident and health policies. The reserve can be broken down as follows:

Direct	\$ 5,621,374,595
Assumed	2,452,926,863
Other	<u>1,842,273</u>
Total (Gross)	<u>\$ 8,076,143,731</u>

INS used the above sample of 101 policies for data validity and reserve testing of the additional contract reserves. The examiners verified the underlying data for each of the 101 contracts and no errors were found. INS verified reserves for each of the 101 contracts without exception. INS also reviewed claims costs used in calculation of the reserves and concluded that they appear reasonable. A trend analysis of additional contract reserves over the examination period showed increasing reserves and appeared reasonable reflecting the Company's continued growth of the LTC business.

Based on the above review INS concluded that the Exhibit 6, additional contract reserves were fairly stated.

Exhibit 6, Claim reserve (gross)\$ 1,853,626,291

Claim reserves consist of \$ 1,609.4 million for case reserves and \$244.2 million for incurred but not reported (IBNR) reserves. The case reserves can be broken down as follows:

Direct	\$ 1,259,754,451
Assumed	349,462,330
Other	<u>190,493</u>
Total (Gross)	<u>\$ 1,609,407,274</u>

INS selected a sample of 43 contracts for data validity and reserve testing. The LTC claim reserves are determined by calculating the present value of future claim payments based on appropriate statutory mortality tables and valuation interest rates combined with the Company's morbidity experience. INS reviewed the methodology and found it was reasonable. The examiners verified the underlying data for each of the 43 contracts and no errors were found.

INS verified the claim reserves for each of the 43 contracts without exception. A trend analysis of total claim reserves over the examination period showed increasing reserves and appeared reasonable reflecting the Company's continued growth of the LTC business.

The IBNR reserves can be broken down as follows:

Direct	\$ 185,815,819
Assumed	58,191,048
Other	<u>212,150</u>
Total (Gross)	<u>\$ 244,219,017</u>

IBNR reserves are based on claim lag studies performed by the Company. The lag factors are based on loss ratios. The resulting lag factors are then multiplied by the case reserves in order to determine the total IBNR liability. The Company then allocates approximately 85% of the total to Exhibit 6 and the remaining 15% to Exhibit 8.

The overall claim liability was reviewed for reasonableness using the claim liability adequacy test from Schedule H of the annual statement as discussed in section L4.2.

Based on the above analysis, INS concluded that the Exhibit 6, claim reserves were fairly stated.

Exhibit 6, Aggregate reserve for accident and health contracts.....\$ 5,069,625,326

Based on the above review and analysis, INS concluded that the aggregate reserve for accident and health insurance contracts as reported by the Company on Page 3, Line 2 and in Exhibit 6 of the Company's December 31, 2006 annual statement appears fairly stated. It has been accepted for the purpose of this report.

FINDINGS and RECOMMENDATIONS

General

As of December 31, 2006, the reserves the Company held were mostly for direct written single premium and flexible premium deferred annuities, structured settlements, single premium immediate annuities, corporate owned life insurance, single premium whole life, guaranteed interest contracts and individual long term care accident and health insurance policies. Smaller reserves were held for traditional life policies, universal life policies, equity indexed annuities, variable deferred annuities, and long term disability policies.

For most of the life insurance and annuity products, the most significant risk to the Company is the matching of the asset and liability cash flows. For the long term care business, the most significant risk is the morbidity and lapse risk. These risks are measured through asset adequacy/cash flow testing (CFT) analysis. INS performed a thorough review of the Company's asset adequacy/(CFT) analysis.

Certificate of Reserve Valuation

As part of the annual certificate of reserve valuation procedure, INS reviewed the reserves reported in Exhibit 5 and in Exhibit 7 of the Company's 2006 general account annual statement and in Exhibit 3 of the Company's 2006 separate accounts annual statement. During that process, the Company work papers supporting these liabilities were reviewed and found to be in order. INS' reconciliation work from that procedure has been relied upon for the current examination.

Asset Adequacy / Cash Flow Testing Analysis

The examination process included a review of the Company's asset adequacy/(CFT) analysis, completed annually as part of the Actuarial Opinion and Memorandum (AOM). Based on INS' review of the asset adequacy/CFT analysis, INS has accepted the appointed actuary's conclusion that no additional actuarial reserves were required as of December 31, 2006.

Data Validity

Samples of policies from the Company's direct written business and from material blocks of assumed long term care (LTC) business were used to test the validity of valuation data. The policy sample tests indicated a general absence of errors in the underlying data used for valuation. In addition, based on completeness testing, it appears that the valuation extract files are complete.

Reinsurance

The examiners reviewed the Company's major reinsurance treaties and concluded that there was appropriate risk transfer taking place in accordance with Delaware Insurance Regulation 1002 (formerly Regulation 78). The examiners reviewed settlement sheets for compliance with reinsurance agreement provisions. No exceptions were noted. INS reconciled reserve credits between Schedule S and the appropriate Exhibits. INS concluded that the reserves reported in Schedule S for the above treaties were reasonable.

Prior Examination Recommendations

The Company has complied with the following prior examination recommendations.

- Ensure that amounts reported in Exhibit 5 accurately reflect the information in the detail files supporting these reserves.
- Ensure that all blocks of reinsurance business are reported accurately.

Summary

The balance sheet items enumerated in the examination appear fairly stated and were calculated using valuation parameters free of material error. Valuation extract files appear to be complete. Therefore, the balance sheet items covered by this examination have been accepted as stated by the Company for the purpose of this report.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

It should be noted that there were six (6) recommendations made in the prior examination report. It has been determined in the current examination that all of the recommendations have been addressed by the Company.

SUMMARY OF RECOMMENDATIONS

No exam report recommendations were considered necessary as result of this examination.

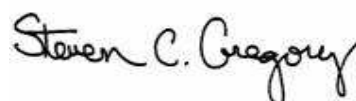
CONCLUSION

The following schedule shows the results of this examination and the results of the prior examination with changes between the examination periods:

<u>Description</u>	<u>December 31, 2006</u>	<u>December 31, 2003</u>	<u>Increase</u>
Assets	\$ 34,770,582,027	\$ 33,531,638,881	\$ 1,238,943,146
Liabilities	\$ 31,773,651,854	\$ 30,892,235,523	\$ 881,416,331
Capital and Surplus	\$ 2,996,930,173	\$ 2,639,403,359	\$ 357,526,814

The assistance of Delaware's consulting actuarial firm, INS Consultants Inc. is acknowledged.

Respectfully submitted,



Steven C. Gregory, CFE, FLMI, AIE
Lead Examiner-In-Charge
State of Delaware
Northeastern Zone, NAIC

SUBSEQUENT EVENTS

On January 1, 2007, Federal Home Life Insurance Company ("FHL") and its wholly-owned subsidiary, First Colony Life Insurance Company ("FCL") were merged with and into Genworth Life and Annuity Insurance Company ("GLAIC") with GLAIC the surviving entity. FHL and FCL were both stock life insurance companies domiciled in Virginia. As a result of the merger of FHL into GLAIC, FHL ceased to be a direct subsidiary of the Company.

Upon consummation of the FHL and FCL mergers, American Mayflower Life Insurance Company ("AML"), formerly a wholly-owned subsidiary of FCL, merged with and into Genworth Life Insurance Company of New York ("GLICNY"), a wholly-owned subsidiary of

the Company, with GLAIC receiving a non-majority interest in GLICNY. As a result of AML merging into GLICNY, GLICNY ceased to be a wholly-owned subsidiary of the Company. GLAIC received an ownership interest of 34.5% in GLICNY, leaving the Company owning 65.5% of GLICNY.

On March 9, 2007, RLIC IV executed an Adoption Agreement to the Tax Allocation Agreement dated May 24, 2004, as amended, among the Company and its life insurance company subsidiaries, whereby the parties agree to the method of allocation of consolidated federal income tax liability resulting from the consolidated federal income tax reporting of the group.

On May 31, 2007, Genworth Financial, Inc. sold its employee benefits group (“EBG”) life and health business, based in Windsor, Connecticut, to Sun Life Financial, Inc., for \$650 million. The sale of EBG included Professional Insurance Company, a wholly-owned subsidiary of the Company.

On May 31, 2007, the Board of Directors declared an ordinary cash dividend on its common stock in the amount of \$100 million to its stockholder of record of GNA. The dividend was paid on June 15, 2007.

On June 1, 2007, the Company, GLAIC and GNA (“the Providers”) entered into separate Administrative Service Agreements with GLICNY, whereby the Providers provide GLICNY with certain administrative and special services for day-to-day operations of certain property, equipment and facilities of the Providers as GLICNY may request.

On June 6, 2007, the Company conveyed to GLAIC securities in the aggregate amount of \$168,927,975 and cash of \$1,608,652 in exchange for securities of \$170,536,627. The transaction was completed to ensure that if there were derivative transactions associated with certain of the exchanged securities that both derivative contract and underlying security were in

the same legal entity. The value of the exchanged securities was established on a fair market basis.

On August 6, 2007, the Company and its parent company, Genworth Financial, Inc., entered into Amendment No. 1 effective January 1, 2007, to its Tax Matters Agreement dated February 1, 2005, whereby the amendment revises the calculation of the amount of Section 338 tax benefit to be allocated.

On September 7, 2007, the Company purchased twenty-five (25) commercial mortgage loans from GLAIC for \$84,610,742. The purchase price represents the fair market value of loans together with accrued and unpaid interest on such loans.

On December 10, 2007, the Board of Directors declared ordinary cash dividends on its preferred and common stocks in the amounts of \$22.5 million and \$177.5 million, respectively, to its stockholder of record, GNA. The dividend was paid on December 20, 2007.

On January 1, 2008, the Company's direct parent, GNA changed its name to Genworth North America Corporation.